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THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Officers

5 December 1980

NOTE TO: Bruce C. Clarke, Jr.
DD/NFA

FROM : Robert M. Gates
NIO/USSR-EE

Bruce,

Attached is a memorandum to Aaron forwarding the "Diamond Alternative" of a full-scale grain embargo, should you still want to send it.

25X1

I plan to have a copy with me if there is a SCC this afternoon so that Stan is aware of this possibility as well -- but I will make sure that he does not hand over the memo to anyone.

25X1

Robert M. Gates

Attachment:
As Stated

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25X1

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

Deputy Director for National Foreign Assessment

5 December 1980

MEMORANDUM FOR: David Aaron
Deputy Assistant to the President
for National Security Affairs

SUBJECT : Full Grain Embargo on USSR (C)

David -

As the SCC considers contingency actions in response to a possible Soviet invasion of Poland, the following notion has surfaced.

1. We expect total Soviet imports of grain from July 1980 through June 1981 to be restricted to about 31 million tons. So far, we estimate the Soviets have arranged to purchase about 27 million tons of grain (including the 8 million tons from the United States) and about 2 million tons of soybean meal, soybeans, and manioc. (C NF)

2. As of the end of December about 16 million tons of grain and 1 million tons of soybeans and soybean meal will have been shipped for unloading at Soviet ports or for transport by overland routes from Western and Eastern Europe. The balance of roughly 15 million tons of grain remains to be delivered in the period January-June 1981. (C)

3. If because of Soviet military actions in Poland, the Administration were to consider embargoing shipments of already contracted for grain, soybean products and meat for the remainder of the 1980/81 marketing year, the loss in "meat equivalent" to the Soviets could come to the equivalent of 10-12 percent of Soviet domestic meat production plus meat imports in 1980. (C)

4. The enforcement of a total embargo would deny considerable hard currency export earnings to Western suppliers. At currently projected market prices the direct loss of earnings would be roughly as follows:

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REVIEW ON DEC86
Derived from Multiple

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	<u>Dollars (million)</u>
Grain	\$2,730
Soybean products	660
Meat	<u>80</u>
Total	\$3,470

In addition to the direct loss of hard currency sales, an embargo would, of course, result in a marked reduction of prices of these products (and close substitutes) on the world markets. [A partial offset in the loss of Western sales to the Soviet Union could be expected from sales to alternative purchasers.] (C)



Bruce C. Clarke, Jr.

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